# Georgia State Senate
# Budget and Evaluation Office

## Chairman's Column

September 11, 2009

**Furloughs Won't Affect Retirement**

When furloughs for state employees became widespread this year, one of the questions raised was how that reduction might affect those nearing retirement. The retirement benefit for teachers and state employees is based on a calculation of the average of the two highest years of salary, which are typically the last two years but do not have to be.

The question became whether furloughs, and the resulting reduction in salary, reduce the average pay and therefore reduce the retirement benefits that employees are locked in on for the entirety of their retirement.

Based on the advice of the Attorney General and his interpretation of the law, retirement officials have ruled that furloughs will not affect an employee's retirement calculation. The answer lies in the definition of "salary." A furlough does not count as a reduction in salary so the calculation of an employee's two highest years of salary is not changed due to a furlough.

Conversely, a pay cut, or reduction in pay, would in fact constitute a reduction in salary and would reduce the average for anyone within the two year calculation window. If an agency or school system actually reduces the pay or contracted time of employees or teachers, this would be a permanent change and would affect the two year calculation if the final years are the highest years of salary.

**AUGUST REVENUES--HARD TO FIND A SIGN BUT LOOKING ANYWAY**

August revenue figures don't show much relief until you consider the $132 million in tax refunds included in the state pay-outs for the month.

Total revenues were down 16.4% for the month. August, like July, is a relatively low revenue month and this August was no exception coming in at $1.052 billion for the month.

Individual Income tax collections were off by 20.8%, totaling only $505.9 million or down by $132 million, exactly the same amount reported to have been paid out in income tax refunds. If that is correct, then Individual Income Taxes were even with last year for the month.

Total Sales tax collections were down by 12.6%, with local and state collections down by about 12.5% each. The state collected only $402.9 million in sales taxes in August.

Corporate Income Taxes fluctuate during a particular quarter, but in August were flat at a minus 1%. Georgia took in only $17 million in corporate income taxes in August.

Fuel taxes continued to reflect the lower gasoline price of this year, with total collections down by 13.1%. Actually excise taxes, by the gallon, were slightly up at plus 2.8%, but sales tax collections, based on a lower retail price compared to a year ago, were down by 27%. The state collected about $65 million in fuel taxes in August.

Georgia collected about $60 million in other taxes and fees in August.

**Year to Date-July and August**

Two months into the year, the state has collected a total of $2.1 billion in total revenues. Compared to July-August of 2008, this is some $324 million less than the same two months last year. Of course this includes $166 million, the two month total of tax refunds paid out. So the actual normal comparable difference is about -$160 million.

YTD, Individual Income Taxes are down $180 million, about -20%. Taking off the refunds, the total collections are down only $32 million. Saying this, though, does not change the shortfall amount the state is working towards, some $900 million.

YTD, local sales tax collections are off by 17.8% and the state portion by -11%. Corporate collections after two months are up 3.8%.

Fuel tax collections are down 15% with excise taxes actually positive by 4.1% but sales taxes for reasons mentioned earlier are off by 32.6%. The small increase in taxes by the gallon may be explained by more driving vacations with cheaper fuel this year.

**A Winding Road Ahead**

The next three months are challenging when compared to revenue collections from 2008. Those totals, Sept. $1.6 billion, Oct. $1.4 billion and Nov. $1.4 billion will be difficult to match unless substantial improvements in economic activity occur.